



U.S. Department
of Transportation

Federal Highway
Administration

Memorandum

Subject: **ACTION:** Alternative Share for
Transportation Enhancements

Date: April 11, 1995

From: Rodney E. Slater
Administrator

Reply to
Attn of: HEP-32

To: Associate Administrators
Staff Office Directors
Regional Administrators
Federal Lands Highway Program Administrator
Director, Joint ITS Program Office

I am pleased to announce that under the innovative financing test and evaluation project, TE-045, a nationwide project has been established to allow use of an alternative Federal share for transportation enhancement projects. The purpose of this innovative financing project is to assess whether or not allowing greater flexibility in assembling resources to fund transportation enhancements will remove significant barriers to their advancement and to establish the effects, if any, on how Federal dollars might leverage additional funds.

Since the early days of the ISTEA implementation, we have heard that Federal-aid highway program requirements for matching funds on a project-by-project basis presented a barrier to a significant number of transportation enhancement projects. This message was conveyed at the ISTEA regional roundtables, in the work of FHWA's national performance review team, in several State proposals for the innovative financing test and evaluation project, in numerous pieces of correspondence, and in the program review on the implementation of transportation enhancements. To address this issue we have decided to establish a nationwide project, under the innovative financing initiative, to test and evaluate the advantages and disadvantages of providing additional flexibility by permitting States to receive credit for private cash donations, and in-kind contributions.

Under this innovative financing project, States are authorized to use private cash, in-kind contributions, and funds from other Federal agencies as resources on the enhancement project, and thus reduce the total cost incurred on the Federal-aid project. With this authorization, the Federal share, applied to the reduced project cost, could be up to 100 percent on individual projects if a State so chooses.

This new authority applies to all projects and project elements that qualify as transportation enhancement activities under the definition in 23 USC 101 and that are financed with Surface Transportation Program funds. This flexibility is available for all projects obligated on or after the date of this memorandum and continuing until the end of fiscal year 1997.

Our intent is to evaluate the effectiveness of this new approach so that we can recommend appropriate legislative language during the reauthorization process. As States begin using this new flexibility, we would appreciate feedback on the degree to which this approach addresses the matching fund problems associated with transportation enhancements, whether or not there are any lessons learned that would lead us to propose changes to matching requirements for the larger FHWA program, whether or not there are any unforeseen problems associated with this approach, and the extent to which this approach either increases or decreases States' ability in leveraging the Federal dollar. Of particular interest is the extent to which this funding flexibility has affected the obligation of funds in the transportation enhancement setaside.

In allowing the share for Federal-aid funds to increase up to 100 percent, it is not our intent to discourage the use of other resources on transportation enhancements. Indeed, one of the benefits associated with transportation enhancements lies in the variety of governmental and public-private partnerships being formed. At the heart of these partnerships lies mutual commitment. We therefore encourage States to continue to require that all undertakings supported with transportation enhancement funds include a non-FHWA commitment equivalent to at least 20 percent of the value of the transportation enhancement. (This might be less in States with large Federal land holdings operating under sliding scale matching rates). Also, to the extent that non-Federal dollars constitute at least 20% on an aggregate program basis, rather than on a project-by-project basis, a program level match may be an alternative for State to consider.

The project agreements for projects advanced under this flexibility should reference test and evaluation project TE-045 as the basis for the increased Federal share. They also should provide for a State evaluation and report on the results of these tests.

Contact persons for this effort are Mr. Jerry Poston, Chief of the Federal-Aid and Design Division (202) 366-0494, Mr. Max Inman, Chief of the Federal-aid Financial Management Division (202) 366-2853, and Mr. Fred Skaer, Chief of the Environmental Programs Branch (202) 366-2065.